

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Priority Mail  
Priority Mail Contract 37

Docket No. MC2012-3

Competitive Product Prices  
Priority Mail Contract 37 (MC2012-3)  
Negotiated Service Agreement

Docket No. CP2012-7

PUBLIC REPRESENTATIVE COMMENTS

(January 6, 2012)

**Introduction**

In response to Order 1072,<sup>1</sup> the Public Representative hereby comments on the December 20, 2011 United States Postal Service Request to Add Priority Mail Contract 37 to the Competitive Product List (Request).

The Public Representative has accessed and reviewed all public and nonpublic materials submitted by the United States Postal Service. Because this NSA employs the same underlying Governors' Decision 09-6 costing formula, the analysis is virtually the same. Although, the contract is expected to meet the pertinent elements of 39 U.S.C. 3633(a), the Public Representative has a minor issue that is discussed below.

**Discussion**

*Potential for Reduced Cost Coverage.* In Governors' Decision No. 09-6, the Postal Service establishes minimum and maximum cost coverages for Priority Mail

---

<sup>1</sup> Commission Order 1071, Notice and Order Concerning Addition of Priority Mail Contract 35 Negotiated Service Agreement to the Competitive Product List, December 20, 2011.

Contracts. The Postal Service's supporting worksheets indicate that the instant contract's cost coverage is expected to fall within the minimum and maximum range. The Postal Service uses supporting worksheets from FY 2010. When FY 2011 supporting worksheets<sup>2</sup> are used, the cost coverage decreases but remains above the minimum cost coverage required in Governors' Decision 09-6.<sup>3</sup>

## Conclusion

This NSA is expected to comport with each of the requirements of 39 CFR 3015.7(c) -- which amplifies 39 U.S.C. 3633(a). For a competitive products pricing schedule not of general applicability,<sup>4</sup> the Postal Service must demonstrate that the contract will be in compliance with 39 U.S.C. 3633(a): It will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and it will enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs). The Public Representative recommends the approval of this contract.

---

Natalie R. Ward  
Public Representative

901 New York Ave., NW Suite 200  
Washington, D.C. 20268-0001  
(202) 789-6864; Fax (202) 789-6861  
e-mail: [natalie.ward@prc.gov](mailto:natalie.ward@prc.gov)

---

<sup>2</sup> See USPS-FY2011-NP-27, file: SupportPriority\_FY11.xls.

<sup>3</sup> Since the Postal Service filed the contract prior to filing its FY 2011 data, using FY 2010 data is appropriate. However, since the FY 2011 data was recently filed in the FY 2011 ACR, the Public Representative believes it is useful to analyze the contract with FY 2011 data in addition to FY 2010 data.

<sup>4</sup> See 39 CFR 3015.5.